

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	646.76	(12.00)	(119.20)	515.56	(29.00)	(119.20)	498.56	498.56
Personal Services	20,132,068	750,835	(3,160,992)	17,721,911	309,885	(3,150,751)	17,291,202	35,013,113
Operating Expenses	6,992,435	(163,195)	3,441,068	10,270,308	(392,803)	3,518,788	10,118,420	20,388,728
Equipment	273,901	2,074	(148,025)	127,950	2,074	(148,025)	127,950	255,900
Debt Service	39,744	0	(2,634)	37,110	0	(2,634)	37,110	74,220
Total Costs	\$27,438,148	\$589,714	\$129,417	\$28,157,279	(\$80,844)	\$217,378	\$27,574,682	\$55,731,961
General Fund	25,269,223	478,755	(537,410)	25,210,568	(186,751)	(449,383)	24,633,089	49,843,657
State/Other Special	235,416	18,840	(1,808)	252,448	18,028	(1,820)	251,624	504,072
Federal Special	1,933,509	92,119	14,342	2,039,970	87,879	14,289	2,035,677	4,075,647
Capital Projects	0	0	0	0	0	0	0	0
Proprietary	0	0	654,292	654,292	0	654,292	654,292	1,308,584
Total Funds	\$27,438,148	\$589,714	\$129,416	\$28,157,278	(\$80,844)	\$217,378	\$27,574,682	\$55,731,960

### Agency Description

The Department of Revenue collects revenue from and enforces regulations for over 30 state taxes and fees. The department also regulates the sale and distribution of alcoholic beverages in the state. The department is organized into five core processes with overall agency direction and management coordinated from the director's office.

### Summary of Legislative Action

The legislature established the Customer Service Program as a proprietary-funded program, which means that its budget figures will not be included in HB 2 budget tables. The significant present law adjustments granted for the other programs, which remain on the HB 2 budget, were for education and training and for computer replacement. The legislature approved present law adjustments for education and training of \$50,734, which is an increase of approximately \$50 per employee, for a total of approximately \$200 per employee. The present law adjustment for computer replacement was a reduction of \$810,190. The department had significant expenditures for computers in the base budget and since the legislature has established a four-year replacement cycle for computers, the department will not need to replace many computers during the 2001 biennium.

The newly established Customer Service Center will receive its funding primarily by charging the other programs in the department for services provided. In addition, other programs will charge the Customer Service Center for services provided to the center. These charges, which are shown as new proposals in all programs, represent \$9.3 million of the agency's HB 2 budget. In the past, the programs received these services without a direct charge, so the \$9.3 million does not represent new expenditures, but is rather the result of the funding switch from a direct HB 2 appropriation to proprietary funding. The legislature also added \$18.0 million in bonding authority in HB 15 to the department to continue updating its various tax systems. For a further discussion, see the "Other Legislation" Section. This addition is also discussed in the Long-Range Planning Section in Volume 2.

### Reorganization

The Montana Department of Revenue (DOR) has launched a comprehensive change program called Project META that will require several years to implement. The department's goal is to become a process-centered organization, integrating business processes and information systems, and putting a greater focus on customer service. The department will perform the same functions, but under a different organizational structure. Department divisions will no longer be organized around tax types, but instead around common business processes. For example, data and information processing will be handled as one business process, whether the data collected is for individual income tax, business tax, corporate tax, or property assessment.

Formerly, the department was composed of the following programs:

- 1) The Director's Office, which provided management control, coordination of policy direction, strategic planning, and legal services, and housed the research and information staff;
- 2) The Operations Division, which provided accounting, cashiering, mail, and information system services;
- 3) The Liquor Division, which controlled alcoholic beverage distribution in the state;
- 4) The Income Tax Division, which administered and enforced individual income tax laws;
- 5) The Corporation Tax Division, which administered and enforced the various corporation taxes;
- 6) The Property Tax Division, which administered the property tax system, performed property valuation assessments, and audited property tax returns.

After reorganization, the department consists of the following programs:

- 1) The Director's Office, which provides the same functions as before the reorganization. The Director's Office now also includes the Policy and Performance Management Unit, the Tax Policy and Research Unit (formerly research and information staff), and the Office of Dispute Resolution.
- 2) The Information Technology Unit, which provides services in the areas of data support, applications support, and technology support.
- 3) The Resource Management Division, which includes the human resources, accounting, facilities management, and education functions of the department. The Liquor Distribution Unit is also included in the program.
- 4) The Customer Service and Information Processing Division that will include the customer intake function, the document and information processing function, and the accounts receivable and collections function. The division will provide centralized customer service, data and information processing, and accounts receivable collections for the department. The division also hopes to provide services for other agencies on a fee-for-service basis.
- 5) The Compliance, Valuation, and Resolution Division, which will oversee audits and measures to verify that taxpayers are complying with the laws. The Compliance, Valuation, and Resolution division will also establish values of property for purposes of taxation.

The department reorganization includes establishment of a Customer Service Center, which the legislature approved as a proprietary-funded program that will take over the department's cashiering, mail, and record keeping services, as well as providing new services. Though the center hopes to provide services for other agencies in state government, its primary customers will be other programs within the department. These "customer programs" (the Director's Office program; the Resource Management program; and the Compliance, Valuation, and Resolution program) have recorded the cost of the services they will receive from the Customer Service Center as consulting and professional services expenses in the operating cost portion of their budgets. Since the "customer programs" formerly received these services without charge, their budgets show significant operating cost increases.

Because the Customer Service Program is a proprietary-funded program, its 2001 biennium budget is not included in the regular HB 2 budget tables.

### **Other Legislation**

House Bill 15 - The department received \$17.8 million from the 1997 legislature in HB 188 to establish a revenue-processing center and to integrate various tax databases into a single system. The tax integration project was known as the "Project for Revenue Information Systems Modernization" or PRISM. Project PRISM was designed to replace the legacy systems used to manage information related to tax processing, tax administration, and revenue collecting. Major components of the project were to include consolidation of employer's reporting for income tax withholding, old fund liability tax, and unemployment insurance contributions; income tax modernization; and property tax integration, which was to involve consolidation of four separate computer systems. The department used the idea of tax integration as the impetus to reorganize the entire department through a project known as Project META, where "Meta" refers to the Greek word meaning "change". In addition to replacing the legacy computer systems, the department completely reorganized its programs around types of responsibilities, rather than around types of taxes collected, as it had been organized in the past. The department originally requested \$25.0 million from the 1999 legislature in HB 15. The funds are to come from the proceeds of general obligation bonds. For a further discussion, see the Long-Range Planning Section in Volume 2.

House Bill 69 - HB 69 de-earmarked certain funds from state special revenue to the general fund and eliminated certain statutory appropriations. The statutory appropriation of tobacco education fees was one of those de-earmarked. The legislature added a \$1,500 general appropriation to replace the amount the department received from tobacco education fees.

House Bill 128 - HB 128 generally revised telecommunications taxes and specifically established a statewide retail telecommunications excise tax to replace revenue lost from changes in telecommunications services providers' property taxes and changes in other telecommunications taxes. The department received \$141,596 as a line-item general fund appropriation in HB 2 to pay costs associated with administering the new tax.

House Bill 337 - HB 337 revised the law pertaining to the Universal System Benefits Program (USB). The department received \$41,464 as a line-item general fund appropriation to cover costs associated with administration of its responsibilities under the USB program.

Universal system benefit programs are established to ensure continued funding for energy conservation, renewable resource projects, and low-income energy assistance. Utilities are required to fund these programs annually at rates established by the Public Service Commission and are allowed to recover the cost of the programs by imposing a universal systems benefit charge on their customers. Utilities are allowed to claim credits against the funding requirements and large utility customers are allowed to claim credits against the USB charge for expenditures incurred for internal programs and activities that qualify as USB programs.

Any retail electrical customer, the PSC, the consumer counsel, or a utility can challenge any credits claimed by utilities and large customers with the Department of Revenue. The Department of Revenue is required to review credits claimed, adopt rules for specifying acceptable credits and procedures for challenging credits, and make determinations on challenged credits. The department plans to use the money appropriated for HB 337 expenditures to fulfill these requirements, including filling a new 0.5 FTE position.

Senate Bill 184 - As a result of SB 195, passed during the 1997 legislative session, the property reappraisal that was to have taken place beginning in 1997 was postponed. The 1997 legislature therefore removed funding for 8.0 FTE appraiser positions in fiscal 1998 and 33.0 FTE appraiser positions in fiscal 1999. Senate Bill 184, passed during the 1999 legislative session, restored the reappraisal that was to have begun in 1997, and phased in property tax rate reductions over four years for some types of property. The Department of Revenue received a biennial appropriation of \$1.5 million for the administrative costs associated with the reappraisal, part of which the department will use to rehire appraisers. The department also received appropriations totaling nearly \$70.6 million general fund to reimburse local governments and tax increment financing districts for the loss of property tax revenue that will result from the lower property tax rates.

Senate Bill 270 - State statute requires the county commissioners of each county to provide existing office space in the county courthouse or other county building for use by Department of Revenue assessment and appraisal staff, if space is reasonably available. Prior to passage of Senate Bill 270, the department was not required to pay rent for office space in county buildings. Senate Bill 270 allows counties to charge the department a rate that does not exceed the rental rate that the Department of Administration charges state agencies for space in state buildings. The department received \$560,277 as a line-item general fund appropriation in HB 2 for anticipated rent expenses.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 1998	Executive Budget Fiscal 2000	Legislative Budget Fiscal 2000	Leg – Exec. Difference Fiscal 2000	Executive Budget Fiscal 2001	Legislative Budget Fiscal 2001	Leg – Exec. Difference Fiscal 2001	Biennium Difference Fiscal 00-01
FTE	646.76	513.06	515.56		496.06	498.56		
Personal Services	20,132,068	17,643,663	17,721,911	78,248	17,213,415	17,291,202	77,787	156,035
Operating Expenses	6,992,435	10,302,427	10,270,308	(32,119)	10,342,414	10,118,420	(223,994)	(256,113)
Equipment	273,901	127,950	127,950	0	127,950	127,950	0	0
Debt Service	39,744	37,110	37,110	0	37,110	37,110	0	0
Total Costs	\$27,438,148	\$28,111,150	\$28,157,279	\$46,129	\$27,720,889	\$27,574,682	(\$146,207)	(\$100,078)
General Fund	25,269,223	25,162,596	25,210,568	47,972	24,777,453	24,633,089	(144,364)	(96,392)
State/Other Special	235,416	252,448	252,448	0	251,624	251,624	0	0
Federal Special	1,933,509	2,041,813	2,039,970	(1,843)	2,037,520	2,035,677	(1,843)	(3,686)
Capital Projects	0	0	0	0	0	0	0	0
Proprietary	0	654,292	654,292	0	654,292	654,292	0	0
Total Funds	\$27,438,148	\$28,111,149	\$28,157,278	\$46,129	\$27,720,889	\$27,574,682	(\$146,207)	(\$100,078)

### Executive Budget Comparison

The legislature reduced the department's request for additional training expenses from an average of \$150 per employee per year to approximately \$50 per employee per year, for a reduction of \$96,010 from the executive request. The legislature noted that the newly established proprietary-funded Customer Service Center included funding for positions that had been vacant for an extended period. To remove funding for the vacant positions, the legislature reduced appropriations in the programs that will pay the center by \$138,000. The legislature also reduced the appropriation requested by the executive by \$54,907 to reflect reductions in the Department of Administration rental rate and the Information Service Division (ISD) data network rate.

In the Information Technology Unit budget, the legislature did not accept a new proposal for \$120,000 in fiscal 2000 and \$240,000 in fiscal 2001 that would have paid for electronic interface programming between the revenue processing center and agencies that will use the center. In rejecting the new proposal, the legislature noted that the agency had received funding to pay for the establishment of the revenue-processing center in HB 188, passed by the 1997 legislature. The legislature reduced a present law adjustment to pay for information technology consultants by \$45,998. In the Compliance, Valuation, and Resolution Program budget, the legislature approved a present law reduction of \$150,000 in fiscal 2001 that the executive had not requested. The legislature passed the present law adjustment in anticipation of reduced computer processing expenditures the department could realize by moving to a mid-tier computer environment.

The legislature also included appropriations totaling \$744,837 to implement other legislation. These appropriations had not been requested in the Executive Budget. (See the section on "Other Legislation" for particulars about the legislation and the associated appropriations.)

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	36.50	.00	.00	36.50	.00	.00	36.50	36.50
Personal Services	1,314,982	335,338	0	1,650,320	339,802	0	1,654,784	3,305,104
Operating Expenses	637,060	(83,387)	372,249	925,922	(181,971)	372,762	827,851	1,753,773
Equipment	27,425	525	0	27,950	525	0	27,950	55,900
Debt Service	5,568	0	0	5,568	0	0	5,568	11,136
Total Costs	\$1,985,035	\$252,476	\$372,249	\$2,609,760	\$158,356	\$372,762	\$2,516,153	\$5,125,913
General Fund	1,983,567	252,565	234,503	2,470,635	159,824	235,016	2,378,407	4,849,042
State/Other Special	618	(44)	0	574	(618)	0	0	574
Federal Special	850	(45)	0	805	(850)	0	0	805
Capital Projects	0	0	0	0	0	0	0	0
Proprietary	0	0	137,746	137,746	0	137,746	137,746	275,492
Total Funds	\$1,985,035	\$252,476	\$372,249	\$2,609,760	\$158,356	\$372,762	\$2,516,153	\$5,125,913

### Program Description

The Director's Office provides management control, policy direction, strategic planning, and legal services to assist the department programs in fulfilling their responsibilities. The legal services staff advise other program staff and handle tax appeals before the State Tax Appeal Board and state courts. The Director's Office also includes the Policy and Performance Management Unit, the Tax Policy and Research Unit, and the Office of Dispute Resolution.

The Policy and Performance Management Unit supports the department's core processes and is responsible for coordinating the strategic development of operating policies, budgets, rules, and planning for the department. The Tax Policy and Research (TPR) Unit is responsible for estimating state revenue, coordinating Department of Revenue (DOR) legislation and fiscal notes, reviewing all legislation related to revenue, and conducting revenue-related research. The Office of Dispute Resolution, a new unit created by reorganization of the department, will consolidate the department's informal tax appeals processes.

### Funding

Funding for the program comes from the general fund along with minor amounts of state special revenue and federal special revenue. For the 2001 biennium, the legislature also granted a proprietary fund appropriation to allow the Director's Office to assess the newly-created Customer Service Center for the center's share of the Director's Office fixed administration costs.

Present Law Adjustments						
Present Law Description		Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund
Statewide Present Law						
Personal Services				335,338		328,752
Inflation/Deflation				3,545		3,659
Fixed Costs				33,579		(79,799)
Total Statewide Adjustments				\$372,462		\$252,612
Present Law Adjustments						
1	Cyclical Expenses & Session Costs	.00	(119,135)	(119,135)	.00	(93,405)
2	Education & Training	.00	1,700	1,700	.00	1,700
3	Fixed Cost Reductions	.00	(2,551)	(2,551)	.00	(2,551)
Total PL Adjustments		.00	(\$119,986)	(\$119,986)	.00	(\$94,256)
Present Law Adjustments Total				\$252,476		\$158,356

**Present Law Adjustments**

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Cyclical Expenses & Session Costs - The legislature provided present law adjustments to cover extra session year expenses. Expenses for overtime, printing, and equipment are present law increases. Expenses for computer processing will decrease. The net effect is an increase of \$25,730 for fiscal 2001.

DP 2 - Education & Training - The legislature granted present law adjustments to increase training expenses by approximately \$50 per employee per year.

DP 3 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1	DOR Reorganization Plan	.00	233,753	371,499	.00	234,266	372,012
2	Tobacco Fee Administration	.00	750	750	.00	750	750
Total New Proposals		.00	\$234,503	\$372,249	.00	\$235,016	\$372,762

**New Proposals**

DP 1 - DOR Reorganization Plan - The legislature granted the program a proprietary fund appropriation to allow the program to charge the newly established Customer Service Center for the center's share of the Director's Office fixed administration costs.

DP 2 - Tobacco Fee Administration - HB 69 de-earmarked certain funds from state special revenue to the general fund and eliminated certain statutory appropriations. This adjustment adds \$1500 general fund over the biennium due to the elimination of the statutory appropriation of tobacco education fees.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	37.25	.00	.00	37.25	.00	.00	37.25	37.25
Personal Services	1,244,645	271,787	0	1,516,432	265,420	0	1,510,065	3,026,497
Operating Expenses	535,965	68,233	0	604,198	70,607	0	606,572	1,210,770
Equipment	21,801	(21,801)	0	0	(21,801)	0	0	0
Debt Service	1,683	0	0	1,683	0	0	1,683	3,366
Total Costs	\$1,804,094	\$318,219	\$0	\$2,122,313	\$314,226	\$0	\$2,118,320	\$4,240,633
General Fund	1,654,235	289,573	(318,537)	1,625,271	285,911	(318,537)	1,621,609	3,246,880
Federal Special	149,859	28,646	0	178,505	28,315	0	178,174	356,679
Proprietary	0	0	318,537	318,537	0	318,537	318,537	637,074
Total Funds	\$1,804,094	\$318,219	\$0	\$2,122,313	\$314,226	\$0	\$2,118,320	\$4,240,633

### Program Description

The Information Technology (IT) Unit provides services in the areas of data support, applications support, technology support, and user assistance. The unit assists other programs in the department with information technology planning and development.

### Funding

The Information Technology Unit is funded with general fund and federal special revenue. Federal special revenue is for reimbursement of unemployment insurance costs. For the 2001 biennium, the legislature also granted a proprietary fund appropriation to allow the program to assess the newly created Customer Service Center for services the Information Technology Unit will provide to the center.

Present Law Adjustments							
Present Law Description		Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
Statewide Present Law							
Personal Services				271,787			265,420
Inflation/Deflation				1,024			1,059
Fixed Costs				51,193			53,532
Total Statewide Adjustments				\$324,004			\$320,011
Present Law Adjustments							
2	Education & Training	.00	10,745	11,665	.00	10,745	11,665
3	Consulting & Professional Services	.00	28,748	28,748	.00	28,748	28,748
5	Computer Replacement Cycle	.00	(42,373)	(42,373)	.00	(42,373)	(42,373)
6	Fixed Cost Reductions	.00	(3,825)	(3,825)	.00	(3,825)	(3,825)
Total PL Adjustments		.00	(\$6,705)	(\$5,785)	.00	(\$6,705)	(\$5,785)
Present Law Adjustments Total				\$318,219			\$314,226

### Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Education & Training - The legislature granted present law adjustments to increase training expenses by approximately \$50 per employee per year.

DP 3 - Consulting & Professional Services - The legislature granted present law adjustments of \$11,665 for each year of the biennium, which reflects a 10 percent increase.

DP 5 - Computer Replacement Cycle - The legislature granted a present law adjustment sufficient to allow for a four-year replacement cycle for personal computers.

DP 6 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
2	DOR Reorganization Plan	.00	(318,537)	0	.00	(318,537)	0
Total New Proposals		.00	(\$318,537)	\$0	.00	(\$318,537)	\$0

### New Proposals

DP 2 - DOR Reorganization Plan - The legislature granted a proprietary fund appropriation to allow the program to charge the newly established Customer Service Center for services the program will provide to the center.



Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	24.00	.00	.00	24.00	.00	.00	24.00	24.00
Personal Services	599,642	261,643	0	861,285	258,585	0	858,227	1,719,512
Operating Expenses	108,350	16,196	244,561	369,107	17,428	244,898	370,676	739,783
Equipment	786	(786)	0	0	(786)	0	0	0
Debt Service	2,060	0	0	2,060	0	0	2,060	4,120
Total Costs	\$710,838	\$277,053	\$244,561	\$1,232,452	\$275,227	\$244,898	\$1,230,963	\$2,463,415
General Fund	710,838	277,053	46,552	1,034,443	275,227	46,889	1,032,954	2,067,397
State/Other Special	0	0	0	0	0	0	0	0
Proprietary	0	0	198,009	198,009	0	198,009	198,009	396,018
Total Funds	\$710,838	\$277,053	\$244,561	\$1,232,452	\$275,227	\$244,898	\$1,230,963	\$2,463,415

### Program Description

The Resource Management Division provides service and support to the department by integrating the human resources, accounting, facilities management, and education functions of the department. The Liquor Distribution Unit is also managed in this program.

### Funding

The Resource Management Division is funded by \$1,032,954 general fund for the biennium. For the 2001 biennium, the program will also be funded by \$198,009 in proprietary funding to allow the division to charge the newly created Customer Service Center for service the division will provide to the center. The Liquor Distribution Unit is funded with enterprise funds that are not appropriated by the legislature or included in the tables.

Present Law Adjustments						
Present Law Description		Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund
Statewide Present Law						
Personal Services				261,643		258,585
Inflation/Deflation				(4,289)		(4,231)
Fixed Costs				8,987		10,161
Total Statewide Adjustments				\$266,341		\$264,515
Present Law Adjustments						
5	Education & Training - HB 2	.00	2,790	2,790	.00	2,790
6	Computer Replacement Cycle	.00	9,592	9,592	.00	9,592
7	Fixed Cost Reductions	.00	(1,670)	(1,670)	.00	(1,670)
Total PL Adjustments		.00	\$10,712	\$10,712	.00	\$10,712
Present Law Adjustments Total				\$277,053		\$275,227

### Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 5 - Education & Training - HB 2 - The legislature granted present law adjustments to increase training expenses by approximately \$50 per employee per year.

DP 6 - Computer Replacement Cycle - The legislature granted present law adjustments sufficient for a four-year replacement cycle for personal computers.

DP 7 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

New Proposals						
Description	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
2 DOR Reorganization Plan - HB 2	.00	46,552	244,561	.00	46,889	244,898
Total New Proposals	.00	\$46,552	\$244,561	.00	\$46,889	\$244,898

### New Proposals

DP 2 - DOR Reorganization Plan - HB 2 - The legislature provided a proprietary fund present law adjustment to allow the division to charge the newly established Customer Service Center for services the division will provide to the center.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	121.70	.00	(121.70)	.00	.00	(121.70)	.00	.00
Personal Services	2,862,250	376,991	(3,239,240)	1	366,288	(3,228,538)	0	1
Operating Expenses	1,714,723	62,533	(1,777,256)	0	69,381	(1,784,104)	0	0
Equipment	148,025	0	(148,025)	0	0	(148,025)	0	0
Debt Service	2,634	0	(2,634)	0	0	(2,634)	0	0
Total Costs	\$4,727,632	\$439,524	(\$5,167,155)	\$1	\$435,669	(\$5,163,301)	\$0	\$1
General Fund	3,835,212	356,557	(4,191,769)	0	353,429	(4,188,641)	0	0
State/Other Special	203,696	18,935	(222,631)	0	18,769	(222,465)	0	0
Federal Special	688,724	64,032	(752,756)	0	63,471	(752,195)	0	0
Total Funds	\$4,727,632	\$439,524	(\$5,167,156)	\$0	\$435,669	(\$5,163,301)	\$0	\$0

### Program Description

As part of its reorganization plan the department requests that the Customer Service Center be funded by an internal service fund, which does not require an appropriation in HB 2. The legislature accepted the request and funded the program with proprietary funds. For a description of the Customer Service Center please refer to the Proprietary Program Description on the next page.

### Funding

The legislature funded the operations of the newly created Customer Service Center entirely with proprietary funds. The legislature approved rates that the program will charge other programs and agencies to generate its funding. The budgets of proprietary-funded programs are not included in HB 2 totals, which accounts for the absences of a program budget for the 2001 biennium.

Present Law Adjustments						
Present Law Description	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
Statewide Present Law						
Personal Services			376,991			366,288
Inflation/Deflation			(24,573)			(20,425)
Fixed Costs			87,106			89,806
Total Statewide Adjustments			\$439,524			\$435,669
Present Law Adjustments						

### Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies.

New Proposals						
Description	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
1 Move Program to Proprietary	(121.70)	(4,191,769)	(5,167,156)	(121.70)	(4,188,641)	(5,163,301)
Total New Proposals	(121.70)	(\$4,191,769)	(\$5,167,156)	(121.70)	(\$4,188,641)	(\$5,163,301)

**New Proposals**

DP 1 - Move Program to Proprietary - The legislature authorized the establishment of the Customer Service Center as a proprietary-funded operation.

**Proprietary Rates****Program Description**

The department plans for the Customer Service Center to be a statewide enterprise, operating as a self-supporting business funded with revenue from an internal service fund. The center will combine the customer intake function, the document and information processing function, and the accounts receivable and collections function into a single business unit designed to provide centralized and consistent customer service, data and information processing, and accounts receivable collections for the department and its agency partners.

The customer intake function represents the initial contact point for customers. The department plans to have customer service representatives supported by up-to-date technology so they will have the ability to answer customer inquiries for all tax types and to approve registration and application inquiries. The customer intake function will also be responsible for the development and design of "user friendly" forms and instructions.

The document and information processing function will provide data capture, remittance processing, records management, direct deposit of cash receipts and revenue, and mail processing and distribution. The function will provide these services in several forms and plans to expand existing methods of electronic commerce.

The accounts receivable and collections function will provide a single point of contact for debtors. It will be responsible for delinquent account collection and enforcement activities.

**Revenues and Expenses**

The program is forecasting revenues of \$13.8 million over the biennium, to come mostly from other programs within the department. The program is forecasting expenses that will exactly match revenues in the two fiscal years.

**Rate Explanation**

The legislature approved the following rates for the Customer Service Center of the Department of Revenue:

One-Stop Licensing	\$4.51	per license
Input Manual Cash	\$1.21	per document
Input Mail	\$0.19	per document
Capture Image	\$3.91	per document
Capture Paper	\$4.97	per document
Validation	\$0.18	per document
Retention	\$0.21	per document
Coupon Payment	\$0.25	per document
Debt Collection	10 percent of the amount collected	

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	427.31	(12.00)	2.50	417.81	(29.00)	2.50	400.81	400.81
Personal Services	14,110,549	(494,924)	78,248	13,693,873	(920,210)	77,787	13,268,126	26,961,999
Operating Expenses	3,996,337	(226,770)	4,601,514	8,371,081	(368,248)	4,685,232	8,313,321	16,684,402
Equipment	75,864	24,136	0	100,000	24,136	0	100,000	200,000
Debt Service	27,799	0	0	27,799	0	0	27,799	55,598
Total Costs	\$18,210,549	(\$697,558)	\$4,679,762	\$22,192,753	(\$1,264,322)	\$4,763,019	\$21,709,246	\$43,901,999
General Fund	17,085,371	(696,993)	3,691,841	20,080,219	(1,261,142)	3,775,890	19,600,119	39,680,338
State/Other Special	31,102	(51)	220,823	251,874	(123)	220,645	251,624	503,498
Federal Special	1,094,076	(514)	767,098	1,860,660	(3,057)	766,484	1,857,503	3,718,163
Total Funds	\$18,210,549	(\$697,558)	\$4,679,762	\$22,192,753	(\$1,264,322)	\$4,763,019	\$21,709,246	\$43,901,999

### Program Description

The Compliance, Valuation, and Resolution (CVR) Program oversees tax audits and verifies that taxpayers are complying with the laws. The Compliance, Valuation, and Resolution Program will also establish values of property for purposes of taxation. Program employees will be located throughout the state.

### Funding

The Compliance, Valuation, and Resolution Program is funded with general fund, state special revenue, and federal special revenue. The program receives state special revenue from charges for administering several taxes. It receives federal special revenue as reimbursement for unemployment insurance costs.

Present Law Adjustments		Fiscal 2000		Fiscal 2000		Fiscal 2001		Fiscal 2001	
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds	FTE	General Fund
Statewide Present Law									
Personal Services				(228,343)			(279,701)		
Inflation/Deflation				(25,500)			(25,863)		
Fixed Costs				93,697			102,957		
Total Statewide Adjustments				(\$160,146)			(\$202,607)		
Present Law Adjustments									
1	Vehicle Replacement (leases)	.00	104,200	104,200	.00	144,442	144,442		
2	Education & Training	.00	7,893	9,212	.00	7,893	9,212		
3	Cigarette Stamps	.00	5,000	5,000	.00	5,000	5,000		
4	Mid-tier UNIX Server Charges	.00	20,400	20,400	.00	24,840	24,840		
5	Remove OFLT & Add META Efficiencies	(12.00)	(284,293)	(284,293)	(29.00)	(703,697)	(703,697)		
6	Computer Replacement Cycle	.00	(372,314)	(372,314)	.00	(372,314)	(372,314)		
7	Operating Cost Reductions	.00	0	0	.00	(150,000)	(150,000)		
8	Fixed Cost Reductions	.00	(19,617)	(19,617)	.00	(19,198)	(19,198)		
Total PL Adjustments		(12.00)	(\$538,731)	(\$537,412)	(29.00)	(\$1,063,034)	(\$1,061,715)		
Present Law Adjustments Total				(\$697,558)			(\$1,264,322)		

### Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Vehicle Replacement (leases) - The legislature provided funding to allow the program to lease 31 more vehicles from the State Motor Pool during the 2001 biennium.

DP 2 - Education & Training - The legislature granted present law adjustments to increase training expenses by approximately \$50 per employee per year.

DP 3 - Cigarette Stamps - The legislature provided present law increases of \$5,000 in both fiscal 2000 and 2001 for increases in the cost of cigarette stamps charged by the stamp manufacturer.

DP 4 - Mid-tier UNIX Server Charges - The legislature granted increases of \$20,400 in fiscal 2000 and \$24,840 in fiscal 2001 for increased costs to be charged by the Information Services Division of the Department of Administration for mid-tier production processing for Corporation License Tax functions.

DP 5 - Remove OFLT & Add META Efficiencies - The legislature accepted present law reductions in costs due to elimination of the Old Fund Liability Tax (OFLT) and to recognize the department's claim that the department reorganization (Project META) would create other efficiencies within the department. The legislature also included "language" directing the department to identify, by position number, which positions the department will eliminate. (See the language section.)

DP 6 - Computer Replacement Cycle - The legislature granted present law adjustments sufficient to allow for a four-year replacement cycle for personal computers.

DP 7 - Operating Cost Reductions - The legislature reduced the program's operating budget request by \$150,000 in fiscal 2001 to account for the department's projections that Project META will generate reductions in computer processing charges as the department moves from a mainframe environment to a mid-tier environment.

DP 8 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

New Proposals		Fiscal 2000		Fiscal 2000		Fiscal 2001	
Description		Fiscal 2000 FTE	General Fund	Total Funds	Fiscal 2001 FTE	General Fund	Total Funds
1	DOR Reorganization Plan	.00	3,358,795	4,346,716	.00	3,365,599	4,352,728
9	SB 270 - Charges for Office Space	.00	233,867	233,867	.00	326,410	326,410
10	HB 337 - Revise Universal System	.50	22,256	22,256	.50	19,208	19,208
11	HB 128 - Telecommunications Tax	2.00	76,923	76,923	2.00	64,673	64,673
Total New Proposals		2.50	\$3,691,841	\$4,679,762	2.50	\$3,775,890	\$4,763,019

### New Proposals

DP 1 - DOR Reorganization Plan - The legislature provided the program funding for a new proposal to allow the program to pay the newly established Customer Service Center for services the center will provide.

DP 9 - SB 270 - Charges for Office Space - SB 270 allows counties to charge the Department of Revenue for the use of office space. The department will use the funds to pay rent on county facilities or to obtain commercial office space when counties will not or cannot provide space.

DP 10 - HB 337 - Revise Universal System - HB 337 revised laws pertaining to the Universal System Benefits Program. The legislature added funding for 1.0 FTE and associated expenses to allow the department to implement and administer the review process and maintain all documentation required to make a determination of challenged qualifying credits for the Universal System Benefits Programs.

DP 11 - HB 128 - Telecommunications Tax - HB 128 generally revised taxation of telecommunications and created a telecommunications excise tax. The legislature added funding for 2.0 FTE and associated operating expenses and equipment necessary to administer the telecommunications excise tax.

**Language**

"To implement efficiencies within the department and to reflect the elimination of the OFLT, the department is to identify to the Office of Budget and Program Planning and the Legislative Fiscal Division the position numbers of 12.00 FTE at the beginning of fiscal year 2000 and an additional 17.00 FTE at the beginning of fiscal year 2001 for elimination. The department shall provide this information by July 1 each fiscal year. "